



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Ridgefield School District No. 122

Clark County

For the period September 1, 2013 through August 31, 2014

Published October 29, 2015

Report No. 1015410





Washington State Auditor

October 29, 2015

Board of Directors
Ridgefield School District No. 122
Ridgefield, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Ridgefield School District No. 122's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Federal Summary	4
Schedule Of Federal Audit Findings And Questioned Costs.....	6
Schedule Of Audit Findings And Responses	13
Status Of Prior Federal Audit Findings	17
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	18
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	21
Independent Auditor's Report On Financial Statements	24
Financial Section.....	27
Corrective Action Plan For Findings Reported Under OMB Circular A-133	49
About The State Auditor's Office.....	51

FEDERAL SUMMARY

Ridgefield School District No. 122
Clark County
September 1, 2013 through August 31, 2014

The results of our audit of Ridgefield School District No. 122 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District qualified as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Ridgefield School District No. 122

Clark County

September 1, 2013 through August 31, 2014

2014-001 Ridgefield School District No. 122 does not have adequate controls in place to ensure compliance with federal verification and reporting requirements for its Nutrition grant.

CFDA Number and Title: 10.553 School Breakfast Program
10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: Office of Superintendent of Public Instruction
Pass-through Award/Contract Number: NA
Questioned Cost Amount: \$0

Background

The District participates in the School Breakfast and National School Lunch programs. It received \$73,381 for the breakfast program and \$263,767 for the lunch program in the 2013-2014 school year. These programs provide funding for free and reduced-priced meals for low-income students. Families must meet income guidelines to be eligible for these programs.

We reported findings in the prior two audits related to the District's verification process.

Description of Condition

Verification

Each year, districts must select a sample of applications and verify that family income information reported to the district is correct. The Office of Superintendent of Public Instruction (OSPI) provides instructions to school districts on how to verify program eligibility.

Our audit found that while the District did have a process in place to perform the verification process, internal controls were not effective to ensure that the District performed the verification steps accurately.

Our audit of the verification requirement found that the District did not properly use the sampling method prescribed by OSPI. OSPI required the District to use the three percent focused sampling method, as the District had a nonresponse rate greater than or equal to 20 percent during the 2012-2013 school year. This method requires the District to select error prone applications for verification. Error prone applications are defined as any application where the reported family income is within \$100 on the monthly income limits to qualify for free or reduced-priced meals. While the District reported that it used this sampling method, one of the four applications verified was not considered error prone.

In addition, the District is required to make an eligibility determination based on the income information received. For one of the applications verified, the District did not obtain adequate income documentation to support its eligibility determination.

We consider this weakness in internal controls to be a material weakness.

Reporting

The District submits monthly reimbursement claims which are required to be supported by appropriate documentation, such as a summary of meals served. Our audit found that while the District did have a process in place to prepare reimbursement claims, internal controls were not effective to ensure claims accurately reported meals served.

We consider this control weakness a significant deficiency.

Cause of Condition

Verification

District personnel were not fully aware of the verification requirements. The District did not have an effective review in place to ensure verification was performed accurately.

Reporting

District staff did not have experience completing the claims for funding for the months in question and did not seek guidance.

Effect of Condition and Questioned Costs

Verification

A lack of proper internal controls over the verification process increases the risk that free or priced-reduced meals could be provided to children who were not

eligible to receive them. The District may have received funding for households that did not qualify for free and reduced-priced meals.

Reporting

District staff improperly double counted 1,370 meals and included 83 adult meals over a four month period on the claims for reimbursement. The District received an additional \$3,488 for meals served that it could not support.

Recommendation

We recommend the District:

- Establish internal controls to ensure the District properly carries out the correct sampling method prescribed by OSPI during the verification process.
- Ensure adequate income documentation is obtained to support verification.
- Provide training to staff to ensure they are knowledgeable of verification and reporting requirements.

District's Response

The Ridgefield School District appreciates the assistance of the State Auditor's Office in performing our most recent federal single audit. The District acknowledges that it did not have sufficient internal controls in place to ensure applications selected for verification were properly determined. The District further acknowledges that prior staff responsible for performing the monthly claim reporting did not have sufficient knowledge or experience of reporting requirements. In June 2015, the District implemented additional monitoring over verification and reporting process for the Nutrition Program. Corrective actions taken include providing additional training to staff, and the hiring of staff with knowledge of federal program requirements. Both concerns have been fully addressed as of June 2015.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control

does not possess the necessary authority or competence to perform the control effectively . . .

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur . . .

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Office of Superintendent of Public Instruction, Bulletin No 043–13 Child Nutrition Services, states in part:

For the 2013-14 school year, LEAs must complete the verification of free and reduced-price meal applications in accordance with United States Department of Agriculture (USDA) regulation 7 CFR 245.6(a). The verification process must be completed by November 15, 2013 . . .

Non-response Rate of 20% or Greater

LEAs with a nonresponse rate of 20% or greater in school year 2012–13 must use the 3% focused sampling method. Instructions are found in the Verification Timeline (Attachment 1). LEAs with a non-response rate greater than 20% in school year 2012–13 are included in Attachment 3 . . .

Documentation of Income

It is important to clarify that income and supporting documentation the household submits may be for any point-in-time between the month prior to the time the application was received and the time the household is required to provide income documentation. For example, the household submitted the application in August and this household is selected for verification in October; the household may submit proof of income for any of the following months: July, August, September, or October.

If a household is selected for verification and the application indicates zero income, LEAs must request an explanation of how living expenses are met and may request additional written information or collateral contacts.

Record Keeping Requirements

All verified applications must be readily available for review by state or Federal officials. Keep an organized file that includes:

- All copies of documents submitted by the household to confirm eligibility.
- Any documentation made by the determining official.

Office of Superintendent of Public Instruction, Bulletin No 043–13, Attachment 3, Child Nutrition Services, states in part:

From the approved applications with income information, select the required number of applications to verify from those applications within \$1,200 yearly; \$100 monthly; \$50 twice a month; \$46 every two weeks and \$23 weekly, defined as error prone applications, of the free and reduced-price eligibility levels.

Title 7 Code of Federal Regulations, Section §245.6a - Verification requirements, states in part:

(a) Definitions . . . (7) Sources of information. For the purposes of this section, sources of information for verification may include written evidence, collateral contacts, and systems of records as follows:

- (i) Written evidence shall be used as the primary source of information for verification. Written evidence includes

written confirmation of a household's circumstances, such as wage stubs, award letters, and letters from employers. Whenever written evidence is insufficient to confirm income information on the application or current eligibility, the local educational agency may require collateral contacts . . .

(f) Verification procedures and assistance for households . . . (2) Documentation timeframe. Households selected and notified of their selection for verification must provide documentation of income. The documentation must indicate the source, amount and frequency of all income and can be for any point in time between the month prior to application for school meal benefits and the time the household is requested to provide income documentation.

(3) *SNAP FDPIR or TANF recipients.* On applications where households have furnished SNAP or TANF case numbers or FDPIR case numbers or other FDPIR identifiers, verification shall be accomplished by confirming with the SNAP, FDPIR, or TANF office that at least one child who is eligible because a case number was furnished, is a member of a household participating in one of the eligible programs in paragraph (a)(1) of this section. The household may also provide a copy of “Notice of Eligibility” for the SNAP, FDPIR or the TANF Program or equivalent official documentation issued by the SNAP, FDPIR or TANF office which confirms that at least one child who is eligible because a case number was provided is a member of a household receiving assistance under the SNAP, FDPIR or the TANF program. An identification card for these programs is not acceptable as verification unless it contains an expiration date. If it is not established that at least one child is a member of a household receiving assistance under the SNAP, FDPIR or the TANF program (in accordance with the timeframe in paragraph (f)(2) of this section), the procedures for adverse action specified in paragraph (j) of this section must be followed.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Ridgefield School District No. 122

Clark County

September 1, 2013 through August 31, 2014

2014-02 The District's internal controls over financial statement preparation are inadequate to ensure accurate financial reporting.

Background

It is the responsibility of District management to design, implement and maintain internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting. Our audit identified material weaknesses in controls over financial statement reporting that affected the District's ability to produce reliable financial statements.

Governmental Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate material weaknesses, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, taken together, represent a material weakness over financial reporting:

- In some instances noted during our audit, accounting staff did not refer to the Accounting Manual for Public School Districts or seek technical guidance when recording journal entries or reconciling accounts.
- The District was not adequately performing monthly bank reconciliations to the County Treasurer's statements of cash and investments, warrants outstanding, revenues, and expenditures. Also, the staff responsible for reconciling and monitoring this activity was not independent of disbursement functions.
- The District was not reconciling balance sheet accounts.
- Some journal entries performed were not adequately supported or performed timely.

- The District was not properly accruing expenditures to the correct fiscal year for the capital projects fund.

Cause of Condition

The District experienced turnover in a key position responsible for accounting and financial reporting and the accounting staff responsible for financial reporting lacked sufficient knowledge and training. In addition, oversight procedures were not sufficient to detect the extent of the control deficiencies described above.

Effect of Condition

We found the following errors during our audit of the District's financial statements:

- Misstatements with balance sheet accounts including: General fund due to other funds understated by \$47,867, ASB fund cash overstated \$27,393, ASB fund due from other funds understated by \$65,801, ASB unearned revenues understated by \$34,045, and Private Purpose Trust fund understated cash and due to other funds by \$17,838.
- Capital expenditures were recorded in the incorrect year resulting in an overstatement of fund balance of \$2,976,000 and an understatement of expenditures of \$406,568 relating to FY 2014.

Also, without adequate internal controls and reconciliation procedures, information provided to the Board at interim points throughout the year may not have been accurate.

Recommendation

We recommend the District:

- Provide additional training and oversight to staff responsible for accounting and financial reporting.
- Implement a reconciliation process to the County Treasurer's statement. Ensure the person responsible for this task is independent of conflicting duties or has adequate oversight. In addition, ensure other balance sheet accounts are reconciled.
- Perform journal entries timely in accordance with the School's Accounting Manual and maintain proper support.
- Ensure accounts payable disbursements are recorded in the proper year for all funds.

District's Response

The Ridgefield School District would like to thank the State Auditor's Office for its helpful support during the most recent audit. The District experienced significant turnover in staff responsible for financial reporting over the last several years. The District believes this contributed to many of the conditions noted by the Auditor's office in the finding. Both the Management and the Board of the District believe in the value of a system of strong internal controls to manage and safeguard public resources. These controls help to ensure accurate and reliable financial reports regarding the financial position of the District.

Upon being made aware of the concerns noted by the Auditor's office, the District performed a complete reconciliation of all general ledger accounts, including revenues and expenditures. This effort assisted the Auditor's Office in being able to issue an unmodified opinion on the financial statements. In addition, all concerns identified by both the Auditor's office and through the reconciliation process were corrected in the final financial statements.

The District will continue to perform a detailed reconciliation of all balance sheet accounts, as well as of revenue and expenditures for each fund. Additional controls over monitoring and review of journal entries will be established to ensure journal entries performed are adequately supported and comply with applicable accounting guidance. The District will also continue to encourage staff to participate in various trainings to ensure adequate knowledge of financial reporting concepts and practices.

Auditor's Remarks

We appreciate the District's for its cooperation and assistance during the audit, we especially valued the extensive attention the District dedicated to conducting the reconciliations and working with us on corrective action. We will review the effectiveness of the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or

grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its *Codification of Statements on Auditing Standards*, Section 265 as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Accounting Manual for Public School Districts, Chapter 7 General Journal Entries, states in part:

County Treasurer Monthly Entry (From County Treasurer Report F-197)

District records must be reconciled to the amounts reported on the County Treasurer Report F-197 . . . Refer to the F-197 section of the ABFR for line item definitions and additional guidance.

Administrative Budgeting and Financial Reporting Handbook FY 2013–14, Chapter V states in part:

Each school district shall reconcile amounts that are reported by its county treasurer with the district records for all funds. OSPI encourages monthly reconciliation of the district accounts with a simulation of closing using the fund balance budget status report (Form F-198).

WAC 392-123-132, Reconciliation of Monthly County Treasurer's Statements to District Records, states:

Every school district shall reconcile amounts reported by the county treasurer with the district records for all funds. Any differences shall be noted and adjustments to school district records shall be made if necessary.

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Ridgefield School District No. 122. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: September 1, 2012 through August 31, 2013	Report Ref. No.: 1011520	Finding Ref. No.: 1	CFDA Number(s): 10.553 and 10.555
Federal Program Name and Granting Agency: School Breakfast Program and National School Lunch Program, U.S. Department of Agriculture		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: Ridgefield School District No. 122 does not have adequate internal controls in place to ensure compliance with federal verification requirements.			
Background: The District did not use the sampling method prescribed by OSPI to select applications when verifying family income. In addition, we were unable to obtain documentation demonstrating that a secondary review of the applications was performed. Also, for one of the applications verified, the District incorrectly determined eligibility status due to a miscalculation.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Upon the District being made aware of the issues noted in the prior audit, it made changes to its practices to comply with federal verification requirements. However, the District acknowledges that its verification process used for 2013-2014 did not properly identify some applications selected for verification. This issue has been fully resolved for the 2014-2015 school year.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Ridgefield School District No. 122
Clark County
September 1, 2013 through August 31, 2014**

Board of Directors
Ridgefield School District No. 122
Ridgefield, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ridgefield School District No. 122, Clark County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 16, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-002 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

October 16, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Ridgefield School District No. 122
Clark County
September 1, 2013 through August 31, 2014**

Board of Directors
Ridgefield School District No. 122
Ridgefield, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Ridgefield School District No. 122, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a significant deficiency.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

October 16, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Ridgefield School District No. 122 Clark County September 1, 2013 through August 31, 2014

Board of Directors
Ridgefield School District No. 122
Ridgefield, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ridgefield School District No. 122, Clark County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 27.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ridgefield School District No. 122, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project and Fiduciary funds as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Long-Term Liabilities are also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

October 16, 2015

FINANCIAL SECTION

Ridgefield School District No. 122
Clark County
September 1, 2013 through August 31, 2014

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014
Statement of Net Position – Fiduciary Funds – 2014
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedules of Long-Term Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	27,115.50	6,490.06	0.00	238,582.51	0.00	0.00	272,188.07
Minus Warrants Outstanding	-12,825.58	-241.92	0.00	-211,207.51	0.00	0.00	-224,275.01
Taxes Receivable	1,957,740.90		1,423,570.44	0.00	0.00	0.00	3,381,311.34
Due From Other Funds	200.00	147,969.45	0.00	96.52	0.00	0.00	148,265.97
Due From Other Governmental Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	100,722.73	0.00	0.00	0.00	0.00	0.00	100,722.73
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00					0.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	1,669,303.16	79,226.08	881,214.73	9,456,899.60	0.00	0.00	12,086,643.57
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	3,742,256.71	233,443.67	2,304,785.17	9,484,371.12	0.00	0.00	15,764,856.67
LIABILITIES:							
Accounts Payable	581,442.16	37,246.75	0.00	3,102,633.42	0.00	0.00	3,721,322.33
Contracts Payable Current	0.00	0.00		851,190.85	0.00	0.00	851,190.85
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	7,165.19	0.00		0.00			7,165.19
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	129,976.03	252.00	0.00	0.00	0.00	0.00	130,228.10

See accompanying notes to financial statements

Ridgefield School District No. 122

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	718,583.38	37,498.75	0.00	3,953,824.27	0.00	0.00	4,709,906.40
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	0.00	34,044.99	0.00	0.00	0.00	0.00	34,044.99
Unavailable Revenue - Taxes Receivable	1,957,740.90		1,423,570.44	0.00	0.00		3,381,311.34
TOTAL DEFERRED INFLOWS OF RESOURCES	1,957,740.90	34,044.99	1,423,570.44	0.00	0.00	0.00	3,415,356.33
FUND BALANCE:							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted Fund Balance	18,234.00	161,899.93	881,214.73	5,530,546.85	0.00	0.00	6,591,895.51
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unassigned Fund Balance	1,047,698.43	0.00	0.00	0.00	0.00	0.00	1,047,698.43
TOTAL FUND BALANCE	1,065,932.43	161,899.93	881,214.73	5,530,546.85	0.00	0.00	7,639,593.94
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	3,742,256.71	233,443.67	2,304,785.17	9,484,371.12	0.00	0.00	15,764,856.67

See accompanying notes to financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	4,571,051.28	201,652.29	2,976,683.36	641,382.44	0.00		8,390,769.37
State	13,960,574.69		0.00	177,844.17	0.00		14,138,418.86
Federal	668,479.29		0.00	0.00	0.00		668,479.29
Federal Stimulus	0.00						0.00
Other	53,131.92			0.00	0.00	0.00	53,131.92
TOTAL REVENUES	19,253,237.18	201,652.29	2,976,683.36	819,226.61	0.00	0.00	23,250,799.44
EXPENDITURES:							
CURRENT:							
Regular Instruction	11,290,080.49						11,290,080.49
Federal Stimulus	0.00						0.00
Special Education	1,500,286.63						1,500,286.63
Vocational Education	585,307.24						585,307.24
Skill Center	0.00						0.00
Compensatory Programs	679,881.15						679,881.15
Other Instructional Programs	73,587.72						73,587.72
Community Services	83,960.73						83,960.73
Support Services	5,530,557.48						5,530,557.48
Student Activities/Other		208,403.67				0.00	208,403.67
CAPITAL OUTLAY:							
Sites				4,754.38			4,754.38
Building				32,844,632.98			32,844,632.98
Equipment				186,452.34			186,452.34
Instructional Technology				0.00			0.00
Energy				577,731.97			577,731.97
Transportation Equipment					0.00		0.00
Sales and Lease				0.00			0.00
Other	130,004.00						130,004.00
DEBT SERVICE:							
Principal	0.00		1,155,000.00	0.00	0.00		1,155,000.00
Interest and Other Charges	0.00		1,746,643.76	0.00	0.00		1,746,643.76
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	19,873,665.44	208,403.67	2,901,643.76	33,613,571.67	0.00	0.00	56,597,284.54

See accompanying notes to financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-620,428.26	-6,751.38	75,039.60	-32,794,345.06	0.00	0.00	-33,346,485.10
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		43,450.00	0.00	0.00		43,450.00
Transfers Out (GL 536)	-12,375.00		0.00	-31,075.00	0.00	0.00	-43,450.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-12,375.00		43,450.00	-31,075.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-632,803.26	-6,751.38	118,489.60	-32,825,420.06	0.00	0.00	-33,346,485.10
BEGINNING TOTAL FUND BALANCE	1,746,247.15	155,077.03	762,725.13	41,067,426.35	0.00	55,240.57	43,786,716.23
Prior Year(s) Corrections or Restatements	-47,511.46	13,574.28	0.00	-2,711,459.44		-55,240.57	-2,800,637.19
ENDING TOTAL FUND BALANCE	1,065,932.43	161,899.93	881,214.73	5,530,546.85	0.00	0.00	7,639,593.94

See accompanying notes to financial statements

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2014

ASSETS:		
Imprest Cash		
Cash On Hand		
Cash On Deposit with Cty Treas		
Minus Warrants Outstanding		
Due From Other Funds		
Accounts Receivable		
Accrued Interest Receivable		
Investments		
Investments/Cash With Trustee		
Other Assets		
Capital Assets, Land		
Capital Assets, Buildings		
Capital Assets, Equipment		
Accum Depreciation, Buildings		
Accum Depreciation, Equipment		
TOTAL ASSETS		
LIABILITIES:		
Accounts Payable		
Due To Other Funds		
TOTAL LIABILITIES		
NET POSITION:		
Held in trust for:		
Restricted for Other Items		
Restricted for Self Insurance		
Restricted for Uninsured Risks		
Nonspendable -- Trust Principal		
Committed to Other Purposes		
Held In Trust For Private Purposes		
Assigned to Fund Purposes		
Held In Trust For Pension And Other Employee Benefits		
Unassigned Fund Balance		
TOTAL NET POSITION		

See accompanying notes to financial statements

Ridgefield School District No. 122
Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	1,900.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	1,900.00	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	260.04	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	260.04	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	2,160.04	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	5,200.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	5,200.00	0.00
Net Increase (Decrease)	-3,039.96	0.00
Net Position--Beginning	55,240.57	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	52,200.61	0.00

See accompanying notes to financial statements

RIDGEFIELD SCHOOL DISTRICT
Notes to the Financial Statements
September 1, 2013 through August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ridgefield School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in Grades K–12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditure (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Fund

This fund accounts for financial resources that are to be used for the construction or acquisition of major capital assets such as land and buildings.

Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principle and interest.

Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the

financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Fiduciary Funds

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

Measurement focus, basis of accounting and fund financial statement presentation.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collected within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Newly Implemented Standards

Effective for the 2013-2014 school year, the district implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. As a result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Cash and Cash Equivalents

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Clark County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2014, are as follows:

	Number of Securities	Carrying Cost	Market Value
County Treasurer's Investment Pool		12,156,882	12,155,715
Total Investments		12,156,882	12,155,715

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

Litigation

The District has no known legal obligations that would materially impact the financial position of the District.

Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's bond issues after September 1, 1986, currently totaling \$43,265,000 as of August 31, 2014. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebateable amount fluctuates each year and may or may not be owed at the payment intervals. The District does not have any contingent rebateable arbitrage liability as of August 31, 2014.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no events after the balance sheet date that would have a material impact on the next or future fiscal years.

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Membership by retirement system program as of June 30, 2013:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

Data is as of last actuarial valuation date of June 30, 2013

Certificated public employees are members of TRS. Noncertificated public employees are members of PERS (if Plan 1) or SERS.

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996, or August 31, 2000, for TRS or SERS, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 65, or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service, capped at 60 percent, with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For

the defined benefit portion of Plan 3 TRS and SERS members, it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon advice from the Office of the State Actuary. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under Chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS, and SERS, respectively.

The District's contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

Contributions

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS 6.00%	Plan 1 PERS 6.00%
Plan 2 TRS 4.69%	Plan 2 SERS 4.64%
Plan 3 TRS and SERS 5.00% (minimum),	15.00% (maximum)

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS 10.39%	Plan 1 PERS 9.21%
Plan 2 TRS 10.39%	Plan 2 SERS 9.82%
Plan 3 TRS 10.39%	Plan 3 SERS 9.82%

Under current law, the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (participant information for all plans is as of August 31):

Plan	FY 2014	FY 2013	FY 2012
Plan 1 TERS	\$37,841	\$28,496	\$33,564
Plan 2 TERS	\$237,079	\$178,416	\$169,481
Plan 3 TERS	\$490,080	\$376,259	\$356,948
Plan 1 PERS	\$1,832	\$1,358	\$1,347
Plan 2 SERS	\$60,219	\$38,292	\$32,284
Plan 3 SERS	\$78,379	\$60,765	\$59,205

Historical trend information showing TRS, PERS, and SERS progress in accumulating sufficient assets to pay benefits when due, is presented in the state of Washington's June 30, 2014, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
PO Box 43113
Olympia, WA 98504-3113

NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life insurance and long-term disability insurance.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K–12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$99,225. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements. This is a departure from GAAP.

NOTE 7: COMMITMENTS UNDER CAPITALIZED

The district has capital lease obligations, but no operating lease obligations. A lease would be classified as capital (a purchase by the district) when it meets one or more of the following criteria: the lease term is greater than 75% of the property's estimated economic life; the lease contains an option to purchase the property for less than fair market value; ownership of the property is transferred to the district at the end of the lease term; or the present value of the lease payments exceeds 90% of the fair market value of the property. An operating lease acquires the property for only a small portion of its useful life; any lease that is not a capital lease is an operating lease. Contingent rental, renewal terms, purchase options, escalation charges and restrictions are negotiated at the initiation of each lease and are stated in the lease agreements. There are no related party leases.

For the fiscal year ended August 31, 2014, the District had incurred additional long-term capital lease debt as follows:

Lessor	Cost	Annual Installments	Final Installment	Interest Rate	Balance Due
US Bancorp (copiers)	\$132,044	\$35,657	2014-2019	4.62%-5.79%	\$83,543
Total Capital Lease Commitments	\$132,044	\$35,657	2014-2019	4.62%-5.79%	\$83,543

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
South Ridge Addition	\$ 9,610,208	\$ 8,437,007	\$ 0	\$794,227
Union Ridge Addition	\$14,149,018	\$12,836,251	\$ 0	\$646,852
High School Addition	\$23,124,818	\$18,910,957	\$ 0	\$ 0
Facilities/Fields	\$ 2,115,956	\$ 2,115,956	\$ 0	\$ 0
Total	\$49,000,000	\$42,300,171	\$ 0	\$1,441,079

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014:

Fund	Amount
General	\$ 18,234
ASB Fund	\$ 33,823
Capital Projects Fund	\$720,612

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$142,743,875 for fiscal year 2014. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2014, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2012 UTGO Bond	\$43,675,000	\$1,110,000-\$3,770,000	2032	3.0%-4.62%	\$42,640,000
2004 UTGO Bond	\$ 1,000,000	\$ 75,000-\$ 125,000	2014	2.5%-4.0%	\$ 125,000
2013 LGO	\$ 500,000	\$ 45,000-\$ 55,153	2023	2.25%	\$ 500,000
Total General Obligation Bonds	\$45,175,000				\$43,265,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2014:

Long-Term Debt Payable at 9/1/2013	\$44,420,000
New Issues	\$ 0
Debt Retired	\$ 1,155,000
Long-Term Debt Payable at 8/31/2014	\$43,265,000

The following is a schedule of annual requirements to amortize debt at August 31, 2014:

Years Ending August 31	Principal	Interest	Total
2015	\$ 1,280,144	\$ 1,707,542	\$ 2,987,686
2016	\$ 1,361,160	\$ 1,667,796	\$ 3,028,956
2017	\$ 1,447,198	\$ 1,633,021	\$ 3,080,219
2018	\$ 1,523,260	\$ 1,588,447	\$ 3,111,707
2019	\$ 1,629,346	\$ 1,526,249	\$ 3,155,595
2020-2024	\$ 9,678,892	\$ 6,806,264	\$16,485,156
2025-2029	\$12,810,000	\$ 4,569,775	\$17,379,775
2030-2034	\$13,535,000	\$ 1,235,841	\$14,770,841
Total	\$43,265,000	\$20,734,935	\$63,999,935

At August 31, 2014, the District had \$881,215 available in the Debt Service Fund to service the general obligation bonds.

Short-Term Debt

The district had no short-term debt activity for the year ended August 31, 2014.

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

Property and Casualty Insurance

The district is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 SIR. The program also purchases a stop loss policy with an attachment point of \$995,000, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the \$100,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid by members to the third party administrator under this arrangement for the year ending August 31, 2014, were \$1,514,980.35.

A board of directors of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the program. This program has no employees.

Unemployment Compensation Insurance

The district is a member of the SW Washington Unemployment Compensation Pool administered by Educational Service District No. 112. The purpose of this pool is to share the risk of unemployment compensation claims arising from previous employees of the members. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding. The financial statements of the Pool may be obtained by contacting Educational Service District No. 112.

Workers' Compensation Insurance

The district is a member of the Worker's Compensation Trust administered by Educational Service District No. 112. This Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$400,000 and the annual aggregate retention is \$3,749,476. Since the Trust is a cooperative program, there is a joint liability among participating members. The financial statements of the Trust may be obtained by contacting Educational Service District No. 112.

NOTE 12: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

K.W.R.L. Cooperative

The Ridgefield School District is a member of the KWRL Transportation Co-op and has been a member since the inception of the co-op in 1979. All Co-op revenues and expenditures are included in the financial statements of the Woodland School District. The four school districts split all co-op unfunded costs, admin costs and utility costs. Unfunded costs are calculated by comparing total to/from expenditures to state transportation allocation funding and other miscellaneous revenues.

Ridgefield's percentage of ownership of the co-op for the year ended August 31, 2014 is 39.83%. This percentage is used to determine Ridgefield's share of unfunded costs (\$296,522 of \$744,470), total to/from expenditures (\$1,380,671 of \$3,466,409), total state allocation (\$1,075,465 of \$2,700,139) and utility expenditures (\$13,391 of \$33,621). Admin fees are based upon the prior year percentage of ownership, which was 36.37%. Ridgefield's share of the total \$55,818 admin fees was \$20,530 for the year ended August 31, 2014.

The District has continuing capital commitments related to its participation in the cooperative. During the fiscal year ending August 31, 2014, the District paid \$200,000 towards this obligation for the purchase of new buses. Total payments made to the cooperative for transportation services and capital contributions during the fiscal year ending August 31, 2014 were \$502,158.85.

KCDA Purchasing Cooperative

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by approving the agreement at the board meeting on December 14, 1999, and has remained in the joint venture ever since. The District's current equity of \$5,709 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Restricted Fund Balance		\$161,900	\$5,530,547	\$881,215	
Restricted for Carryover	\$ 18,234				
Committed Fund Balance					
Unassigned: Minimum Fund Balance Policy	\$1,047,698				
Total Fund Balance	\$1,065,932	\$161,900	\$5,530,547	\$881,215	

In addition, the Capital Projects Fund has the following amounts in Restricted Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	\$1,723,626
Restricted from Other Proceeds	\$ 167,556
Restricted from Impact Fee Proceeds	\$3,639,365
Total	\$5,530,547

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan or the District.

403(b) Plan – Tax Sheltered Annuity (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals and non-elective contribution. The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year. These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the termination payment method.

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

NOTE 17: PRIOR YEAR CORRECTIONS

The District reported a prior year correction for the General Fund totaling \$47,511.46 which relates to a previous unrecorded liability owed to the ASB fund for deposits made into the General Fund.

The ASB fund is reporting a prior year correction totaling \$13,574.28 which includes recognition of the prior unrecorded amount owed by the General fund of \$47,511.46, as well as an unrecorded liabilities of \$34,301.99, and minor adjustments to revenues which related to the prior year.

The District is reporting a prior year correction for the Capital projects fund in the amount of \$2,711,459, This includes a correction to record expenditures relating to prior year bond costs totaling \$2,569,636 in the correct fiscal year, as well as the related retainage costs totaling \$141,824 which were not previously recognized.

Ridgefield School District No. 122
Schedule of Long-Term Liabilities: GENERAL FUND
For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Non-Voted Debt and Liabilities					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	363,896.63	0.00	14,108.79	349,787.84	0.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	363,896.63	0.00	14,108.79	349,787.84	0.00

Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
Voted Debt					
Voted Bonds	43,920,000.00	0.00	1,155,000.00	42,765,000.00	1,110,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt					
Non-Voted Bonds	500,000.00	0.00	0.00	500,000.00	45,143.84
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	44,420,000.00	0.00	1,155,000.00	43,265,000.00	1,155,143.84

Ridgefield School District #122
Schedule of Expenditures for Federal Awards
For the Year Ending August 31, 2014

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
Department of Agriculture	WA OSPI	School Breakfast Program	10.553			73,381	73,381	
Department of Agriculture	WA OSPI	Schools and Roads Grants to States	10.665			63	63	
Department of Agriculture	WA OSPI	National School Lunch Program	10.555			263,767	263,767	
Department of Agriculture	WA OSPI	National School Lunch Program Commodities	10.555			29,667	29,667	
Subtotal Department of Agriculture						366,878	366,878	
US Department of Education	WA OSPI	Title I, Grants to Local Educational Agencies	84.010	200137		226,972	226,972	
US Department of Education	WA OSPI	Improving Teacher Quality State Grants	84.367	529041		43,113	43,113	
Dept of ED Total						270,085	270,085	
U.S. Department of Health & Human Services	HCA	Medical Assistance Program	93.778	0765-24962		1,200	1,200	
Dept of HHS Total						1,200	1,200	
				Total Federal Awards Expended		638,163	638,163	

Notes to the Schedule of Expenditures of Federal Awards:

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The district uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the district during the current prescribed by year and priced by the USDA.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

Ridgefield School District No. 122

Clark County

September 1, 2013 through August 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Ridgefield School District No. 122.

Finding ref number: 2014-001	Finding caption: Ridgefield School District No. 122 does not have adequate controls in place to ensure compliance with federal verification and reporting requirements for its Nutrition grant.
Name, address, and telephone of auditee contact person: Paula McCoy 2724 S. Hillhurst Road Ridgefield, WA 98642 Phone: (360) 619-1301	
Corrective action the auditee plans to take in response to the finding: <i>The Ridgefield School District appreciates the assistance of the State Auditor's Office in performing our most recent federal single audit. The District acknowledges that it did not have sufficient internal controls in place to ensure applications selected for verification were properly determined. The District further acknowledges that prior staff responsible for performing the monthly claim reporting did not have sufficient knowledge or experience of reporting requirements. In June 2015, the District implemented additional monitoring over verification and reporting process for the Nutrition Program. Corrective actions taken include providing additional training to staff, and the hiring of staff with knowledge of federal program requirements. Both concerns have been fully addressed as of June 2015.</i>	
Anticipated date to complete the corrective action: June 30, 2015	

Finding ref number: 2014-002	Finding caption: The District's internal controls over financial statement preparation are inadequate to ensure accurate financial reporting.
Name, address, and telephone of auditee contact person: Paula McCoy 2724 S. Hillhurst Road Ridgefield, WA 98642 Phone: (360) 619-1301	
Corrective action the auditee plans to take in response to the finding: <p><i>The Ridgefield School District would like to thank the State Auditor's Office for its helpful support during the most recent audit. The District experienced significant turnover in staff responsible for financial reporting over the last several years. The District believes this contributed to many of the conditions noted by the Auditor's office in the finding. Both the Management and the Board of the District believe in the value of a system of strong internal controls to manage and safeguard public resources. These controls help to ensure accurate and reliable financial reports regarding the financial position of the District.</i></p> <p><i>Upon being made aware of the concerns noted by the Auditor's office, the District performed a complete reconciliation of all general ledger accounts, including revenues and expenditures. This effort assisted the Auditor's Office in being able to issue an unmodified opinion on the financial statements. In addition, all concerns identified by both the Auditor's office and through the reconciliation process were corrected in the final financial statements.</i></p> <p><i>The District will continue to perform a detailed reconciliation of all balance sheet accounts, as well as of revenue and expenditures for each fund. Additional controls over monitoring and review of journal entries will be established to ensure journal entries performed are adequately supported and comply with applicable accounting guidance. The District will also continue to encourage staff to participate in various trainings to ensure adequate knowledge of financial reporting concepts and practices.</i></p>	
Anticipated date to complete the corrective action: June 30, 2015	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov